2. Standards and interpretations issued, but not yet effective

Standard effective during 2009, but not relevant to the entity

IAS 18, "Revenue' was amended consequentially as a result of amendments made to IFRS 1 and IAS 27. The amendment is prospectively effective from annual accounting periods beginning on or after 1 January 2009. The amendment is such that dividends received out of pre-acquisition profits are no longer deducted from the cost of the investment. The amendment will have no impact on the entity results as the entity does not hold any interests in subsidiaries and therefore does not present consolidated financial statements.

IAS 21, 'The Effects of Changes in Foreign Exchange Rates,' was amended consequentially as a result of amendments made to IFRS 1 and IAS 27. The amendment is prospectively effective from annual accounting periods beginning on or after 1 January 2009. The amendment is such that dividends received out of pre-acquisition profits are no longer considered to be part of a disposal of an interest in a foreign operation. The amendment will have no impact on the entity results as the entity does not hold any interests in subsidiaries and therefore does not present consolidated financial statements.

'Amendment: IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations', is retrospectively effective for annual accounting periods beginning on or after 1 January 2009. In terms of the amendment, vesting conditions are now only performance conditions or service conditions. All other conditions are non-vesting conditions and are accounted for in the same manner as market conditions. A further amendment specifies that if either party can choose not to satisfy a non-vesting condition, then the arrangement is treated as a cancellation upon non fulfilment of that condition. The amendment will have no impact on the financial statements of the entity as it does not engage in any share-based payments.

IFRS 3, "Business Combinations,' has been significantly amended and the revised Standard is effective prospectively for all business combinations occurring in annual accounting periods beginning on or after 1 July 2009. In accordance with the revisions, acquisition costs are to be expensed rather than included in the cost of the business combination. Non-controlling interest (previously 'minority interest') can now be initially measured either at fair value or at their proportionate share of the net identifiable assets of the acquiree. Contingent consideration is also to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments. A further revision requires all previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in surplus or deficit. The goodwill calculation has also been amended to measure goodwill as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree. The Standard now also requires the acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts. Finally, contingent liabilities of the acquiree are only to be included in the net identifiable assets when there is a present obligation with respect to the contingent liability. The amendments to the Standard will have no impact on the entity's financial statements as it does not engage in business combination transactions.

IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations,' was revised as part of the IASB's annual improvements project. The amendment is effective prospectively for annual accounting periods beginning on or after 1 July 2009. The amendment clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. The amendment will have no impact on the entity results as the entity does not hold any interests in subsidiaries.

IFRS 8, 'Operating Segments', is effective for annual accounting periods beginning on or after 1 January 2009. The Standard replaces IAS 14, 'Segment Reporting' and requires a new approach whereby segment information is presented on the same basis as it is used for internal reporting purposes. Application of IAS 14 Standard was only mandatory for entities listed on a stock exchange. The entity is not listed on a stock exchange and has not adopted the IAS 14. As a result the replacement of IAS 14 by IFRS 8 does not impact on the financial results of the entity as the entity is not required to adopt IFS 8, of which the application is also only mandatory for listed entities.

IAS 27, 'Consolidated and Separate Financial Statements' was amended as part of the IASB's annual improvements project. The amendment is effective prospectively for annual accounting periods beginning on or after 1 January 2009. The amendment requires that investments in subsidiaries, jointly controlled entities and associates accounted for in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement' in the parent's separate financial statements should continue to be measured in accordance with that Standard when classified as held for sale (or included in a disposal group classified as held for sale), and not in accordance with IFRS 5, 'Non-current Assets held for Sale and Discontinued Operations'. The amendment will have no impact on the entity results as the entity does not hold any interests in subsidiaries and therefore does not present consolidated financial statements.

IAS 27, Consolidated and Separate Financial Statements,' was revised as a result of the issue of the revised IFRS 3, 'Business Combinations.' These revisions are in addition to the amendment referred to above and are effective prospectively for annual accounting periods beginning on or after 1 July 2009. In terms of the revised Standard, losses of the subsidiary are now to be allocated to non-controlling interest, even if they result in the non-controlling interest being a debit balance. The Standard now provides guidance on accounting for changes in the level of control. Changes the in level of control without the loss of control are to be accounted for as equity transactions, without any gain or loss being recognised or any remeasurement of goodwill. When control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is remeasured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in surplus or

2. Standards and interpretations issued, but not yet effective (continued)

deficit. The main possible impact of the revision is the absorption of losses by non-controlling interests which will increase the surplus or deficit attributable to equity holders of Mondi if there are losses realised in subsidiaries. The amendment will have no impact on the entity results as the entity does not hold any interests in subsidiaries and therefore does not present consolidated financial statements.

IAS 12, 'Income Taxes,' has been consequentially amended as a result of the revisions to IAS 27. The amendment is effective prospectively for annual accounting periods beginning on or after 1 July 2009. The amendment refers to situations where a subsidiary, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and surplus or deficit to the extent that it exceeds goodwill), only if it results from information in the measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period. The amendment will have no impact on the entity results as the entity does not hold any interests in subsidiaries and therefore does not present consolidated financial statements.

IAS 28, 'Investments in Associates,' has been consequentially amended as a result of the revisions to IAS 27. The amendment is effective prospectively for annual accounting periods beginning on or after 1 July 2009. In terms of the amendment, when an investment in an associate is reduced but significant influence is retained, a proportionate share of other comprehensive income must be reclassified to surplus or deficit. The amendment will have no impact on the entity results as the entity does not hold any interests in associates.

IAS 31, 'Interests in Joint Ventures,' has been consequentially amended as a result of the revisions to IAS 27. The amendment is effective prospectively for annual accounting periods beginning on or after 1 July 2009. In terms of the amendment, when an investment in a joint venture is reduced but joint control is retained, a proportionate share of other comprehensive income must be reclassified to surplus or deficit. The amendment will have no impact on the entity results as the entity does not hold any interests in joint ventures.

IAS 41, "Agriculture,' was revised as part of the IASB's annual improvements project. The amendments are effective prospectively for annual accounting periods beginning on or after 1 January 2009. The main amendment impacts the discount rate used for fair value calculations. The discount rate was previously required to be a pre-tax rate. The amendment requires a current market rate to be used, but permits this to be a pre-tax or post-tax rate according to the valuation methodology used. Additional biological transformation may now be taken into consideration when calculating the fair value of biological assets using discounted cash flows. In addition, the definition of 'agricultural activity' has been amended to include the harvest of biological assets. 'Point of sale costs' has been replaced with 'costs to sell', where costs to sell are defined as the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes. Logs are now an example of products as a result of processing after the harvest rather than an example of agricultural produce. Felled trees replaces the example of logs in agricultural produce. The amendment will have no impact on the entity results as the entity does not engage in agricultural activities.

IFRIC 15, 'Agreements for the Construction of Real Estates,' is effective retrospectively for annual accounting periods beginning on or after 1 January 2009. The Interpretation specifies whether an agreement for the construction of real estate is within the scope of IAS 11, 'Construction Contracts' or IAS 18, 'Revenue', and thus impacts the related recognition of revenue. The entity does not construct real estate and IFRIC 15 will therefore have no impact on the recognition of future revenues.

IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation,' is effective prospectively for annual accounting periods beginning on or after 1 October 2008. The Interpretation provides guidance in the process of hedging a net investment in a foreign operation. It specifically addresses the fact that any entity in the Group may hold the hedging instrument (except the hedged investment) as well as the recognition of reclassification adjustments. The entity does not hedge net investments in foreign operations and IFRIC 16 will therefore not have an impact on the group's results in the first year of adoption.

Standards and Interpretations early adopted by the entity

There were no Standards or Interpretations early adopted by the entity in the current year.

Standards, amendments to Standards and Interpretations that are not yet effective and have not been early adopted by the entity

IFRS 7, 'Financial Instruments: Disclosures' was amended as part of the IASB's annual improvements project. The amendment is effective retrospectively for annual accounting periods beginning on or after 1 January 2009. The amendment relates to changes in the Implementation Guidance of IFRS 7. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1, 'Presentation of Financial Statements' which precludes the offsetting of income and expenses. The amendment will not have an impact on the entity's results.

IAS 10, 'Events After the Reporting Period' was revised as part of the IASB's annual improvements project. The amendment is retrospectively effective for annual accounting periods beginning on or after 1 January 2009. In terms of the amendment, if dividends are declared, appropriately authorised and no longer at the discretion of the entity after the reporting period but before the financial statements are authorised for issue, the dividends may not be recognised as a liability as no obligation existed at the reporting date. Thus in such cases a liability cannot be raised even if there is a constructive

2. Standards and interpretations issued, but not yet effective (continued)

obligation. The amendment is not expected to have a material impact on the entity in the first year of adoption as the entity only recognises dividends as liabilities when they have been properly declared and authorised.

IAS 16, 'Property, Plant and Equipment' was revised as part of the IASB's annual improvements project. The amendment is effective retrospectively for annual accounting periods beginning on or after 1 January 2009. In terms of the amendment, entities that routinely sell items of property, plant and equipment that they have previously held for rental to others, are required to transfer such assets to inventories at their carrying amount when they cease to be rented and are held for sale. The proceeds from the sale of such assets should be recognised as revenue in accordance with IAS 18, 'Revenue'. IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' does not apply in these situations. The entity does not routinely sell items of property, plant and equipment which it holds for rentals to others and thus the amendment is expected to have no impact on the entity's financial statements in the first year of adoption.

IAS 20, 'Accounting for Government Grants and Disclosure of Government Assistance' was revised as part of the IASB's annual improvements project. The amendment is effective prospectively for annual accounting periods beginning on or after 1 January 2009. The amendment requires that if an entity receives the benefit of loans from Government with a below market rate of interest, then they must be accounted for as government grants, measured as the difference between the initial carrying amount of the loan determined in accordance with IAS 39, 'Financial Instruments: Recognition and Measurement' and the proceeds received. The amendment is not currently expected to have an impact on the entity's reported results during the first year of adoption as the entity does not receive loans from Government at below market interest rates.

IAS 23, 'Borrowing Costs', has been amended such that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset may no longer be expensed. The amendment is effective for annual accounting periods beginning on or after 1 January 2009. The entity's accounting policy already stipulates that such borrowing costs are capitalised as part of the cost of a qualifying asset and, consequently, this amendment is expected to have no impact on the entity's financial statements.

IAS 32, 'Financial Instruments: Presentation' and IAS 1, 'Presentation of Financial Statements' Amendment: Puttable Financial Instruments and obligations Arising on Liquidation, is effective for annual accounting periods beginning on or after 1 January 2009. The revision requires that certain puttable financial instruments and other instruments that impose on the entity an obligation to deliver a pro rata share of the net assets of the entity on liquidation should be classified as equity if certain conditions are met. Any classifications of such items are to be disclosed in the financial statements, together with information concerning the entity's objectives and policies with regards to managing such obligations. The entity does not currently have any such instruments in issue and it is therefore unlikely that the amendment will have a material impact on the entity's results in the first year of adoption.

IAS 28, "Investments in Associates,' was revised as part of the IASB's annual improvements project. The amendment is effective prospectively for annual accounting periods beginning on or after 1 January 2009. In terms of the amendment, a reversal of an impairment loss to an investment in an associate is reversed to the extent that the recoverable amount of the investment increases. This applies also to the part of the investment which represents goodwill, because although it represents goodwill, it is actually an investment. The amendment will have no impact on the entity results as the entity does not hold any interests in associates.

IAS 36, "Impairment of Assets' was revised as part of the IASB's annual improvements project. The amendment is effective retrospectively for annual accounting periods beginning on or after 1 January 2009. Certain additional disclosures are required when 'fair value less costs to sell' is the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. In such cases, and where discounted cash flows are used to determine fair value less costs to sell, the Group is required to disclose the period over which management has projected cash flows, the growth rate used to extrapolate cash flow projections, and the discount rate(s) applied to the cash flow projections. The impact of the amendment on the entity in the first year of adoption is that additional disclosures will be required if this condition is met.

IAS 38, 'Intangible Assets' was revised as part of the IASB's annual improvements project. The amendment is effective retrospectively for annual accounting periods beginning on or after 1 January 2009. The amendments clarify the circumstances in which an entity can recognise a prepayment asset for advertising or promotional expenditure. In addition, wording perceived as prohibiting the use of the unit of production method if it results in a lower amount of accumulated amortisation than under the straight line method has been removed. Entities may use the unit of production method when the resulting amortisation charge reflects the expected pattern of consumption of the expected future economic benefits embodied in an intangible asset. The amendment is unlikely to have a material impact on the entity's results in the first year of adoption.

IAS 39, 'Financial Instruments: Recognition and Measurement – Amendments for Eligible Hedged Items', is retrospectively effective for annual accounting periods beginning on or after 1 July 2009. The amendment provides clarification on two hedge accounting issues, being inflation in a financial hedged item and a one sided risk in a hedged item. Management is assessing the impact on the entity's results.

IAS 39, 'Financial Instruments: Recognition and Measurement' was amended as part of the IASB's annual improvement project and is effective retrospectively for annual accounting periods beginning on or after 1 January 2009. IAS 39 prohibits (except in rare circumstances) the classification of financial instruments into or out of the fair value through surplus or deficit category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose. The amendments have also removed references to the designation of hedging instruments at the segment level. The amendments further clarify that the revised effective interest rate calculated when fair

2. Standards and interpretations issued, but not yet effective (continued)

value hedge accounting ceases, should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 is applicable. The amendment is unlikely to have a material impact on the entity's results during the first year of adoption.

IAS 40, 'Investment Property' and IAS 16, 'Property, Plant and Equipment', were amended as part of the IASB's annual improvements project. The amendments are effective prospectively for annual accounting periods beginning on or after 1 January 2009. Property being constructed for use as investment property is now classified as investment property and no longer as property, plant and equipment. If the entity accounts for investment property at fair value, such property may be measured at cost until the earlier of the date that fair value is determinable or construction is complete. The amendment also provides that when determining the carrying amount of investment property held under a lease and accounted for using the fair value model, any lease liability should be added back to the valuation to arrive at the carrying amount, rather than the fair value of the investment property. The amendment will have no impact on the entity in the first year of adoption as the entity does not hold investment property.

In addition to the above, the following GRAP standards have been approved but are not yet effective:

GRAP 4 - The Effects of changes in Foreign Exchange Rates
GRAP 5 - Borrowing Costs
GRAP 6 - Consolidated and Separate Financial Statements
GRAP 7 - Investments in Associate
GRAP 8 - Interest in Joint Ventures
GRAP 9 - Revenue from Exchange Transactions
GRAP 10 - Financial Reporting in Hyperinflationary Economies
GRAP 11 - Construction Contracts
GRAP 12 - Inventories
GRAP 13 - Leases
GRAP 14 - Events after the reporting date
GRAP 16 - Investment Property
GRAP 17 - Property Plant and Equipment
GRAP 18 - Segment Reporting
GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 - Non-current Assets held for Sale and Discontinued Operations
GRAP 101 - Agriculture
GRAP 102 - Intangible Assets

The effective dates of the above standards are 1 April 2009. The effect of adopting these GRAP Standards when they become effective is not expected to have a significant impact on the financial statements as the principles are similar to those already applied under the equivalent Statements of SA GAAP.

GRAP 18 - Segment reporting
GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 - Presentation of Budget Information in Financial Statements
GRAP 103 - Heritage Assets

The effective dates of the above standards are not yet known. The effect of adopting these GRAP Standards when they become effective is not expected to have a significant impact on the financial statements as the principles are similar to those already applied under the equivalent Statements of SA GAAP.

The aggregate effect of the statements and interpretations on the financial statements, had they been applied for the year ended June 30, 2009 was not known at reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

3. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and buildings	9,902,641	-	9,902,641	8,402,641	-	8,402,641
Infra-structure	292,915,783	(145,072,771)	147,843,012	273,827,454	(132,145,797)	141,681,657
Community assets	21,055,137	(3,729,012)	17,326,125	19,065,599	(3,327,377)	15,738,222
Heritage assets	11,830	(7,830)	4,000	11,830	(6,830)	5,000
Other assets	54,475,587	(26,680,008)	27,795,579	48,327,469	(21,536,426)	26,791,043
Total	**378,360,978**	**(175,489,621)**	**202,871,357**	**349,634,993**	**(157,016,430)**	**192,618,563**

Reconciliation of Property, Plant and Equipment - 2009

	Opening Balance	Additions	Correction of error	Depreciation	Total
Land and buildings	8,402,641	1,500,000	-	-	9,902,641
Infra-structure	141,681,657	19,088,329	-	(12,926,974)	147,843,012
Community assets	15,738,222	2,153,633	(164,095)	(401,635)	17,326,125
Heritage assets	5,000	-	-	(1,000)	4,000
Other assets	26,791,043	6,148,116	-	(5,143,580)	27,795,579
	192,618,563	**28,890,078**	**(164,095)**	**(18,473,189)**	**202,871,357**

Reconciliation of Property, Plant and Equipment - 2008

	Opening Balance	Additions	Disposals	Depreciation	Total
Land and buildings	8,402,641	-	-	-	8,402,641
Infra-structure	132,537,492	21,795,596	(553,088)	(12,098,343)	141,681,657
Community assets	14,820,258	1,202,137	-	(284,173)	15,738,222
Heritage assets	5,998	-	-	(998)	5,000
Other assets	26,595,208	3,707,858	(241,215)	(3,270,808)	26,791,043
	182,361,597	**26,705,591**	**(794,303)**	**(15,654,322)**	**192,618,563**

Note: The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The municipality is in process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2010.
The municipality has taken advantage of the exemptions granted in gazette 30013 of 29 June 2007 and the following should be disclosed:
* The useful life or depreciation method used were not reviewed.
* Items of Property, Plant and Equipment were not assessed for impairment and is not aware of any impairments to assets.
* Included in land and buildings are items that may meet the definition of investment property.
* Depreciation on these assets is calculated on an average basis whereby an average useful life has been estimated for each category of infrastructure, using global historical costs recorded in the accounting records.
* No depreciation is calculated on buildings due to the low historical cost of those assets.
Refer to Appendix B for more detail on property, plant and equipment.

4. Consumer deposits

	2009	2008
Electricity and water	(5,084,377)	(4,460,018)

No interest is paid on deposits held

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

5. Investments

Listed investments

	2009	2008
Financial instruments		
Fixed deposits	-	5,000,000
Non-current assets		
Held to maturity	-	5,000,000

6. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2009

	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Held to maturity	Available for sale
Receivables (Current & non - current)	514,945	-	-	-	-
Short - term investment deposits	-	-	-	2,621,964	-
Consumer debtors	44,559,298	-	-	-	-
Other debtors	6,858,592	-	-	-	-
Cash and cash equivalents	21,420	-	-	-	-
	51,954,255	**-**	**-**	**2,621,964**	**-**

2008

	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Held to maturity	Available for sale
Investment in fixed deposits	-	-	-	5,000,000	-
Receivables (Current & non - current)	509,382	-	-	-	-
Short - term investment deposits	-	-	-	3,604,065	-
Consumer debtors	40,241,816	-	-	-	-
Other debtors	7,975,160	-	-	-	-
Cash and cash equivalents	3,001,665	-	-	-	-
	51,728,023	**-**	**-**	**8,604,065**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

7. Retirement benefits

Post-retirement medical aid benefit - Defined benefit plan

In terms of IAS 19, Employee Benefits calculations were made by Management to estimate the initial recognition of a post-retirement medical aid benefit contribution to its employees and disclosed as a non-current liability.

In terms of the Government Gazette 30013 the benefit of the exemption apply in terms of treatment of the calculation of the benefit. (See exemptions)

Principals for calculation

Estimated life expectancy - Men:	70 years of age
Estimated life expectancy - Women:	75 years of age
Remaining period for liability:	From normal retirement age of 65

For pensioners already reached the age of 70 or 75, one year is added to the calculation of the benefit obligations.

Council contribution: 60% of the total contribution

Initial calculation:

	2009	2008	2007
Post-retirement medical aid benefit liability	14,754,499	14,180,544	15,220,713
Less: Provided during 2005/2006, 2006/2007 and 2007/2008 financial years	(8,590,464)	(5,795,424)	(2,653,661)
Amount to be provided phased in over the remaining period of 2 years (2009)	6,164,035	8,385,120	12,567,052
Phasing in over a period of 4 years - IAS 19: Year two			3,141,763
Phasing in over a period of 3 years - IAS 19: Year three		2,795,040	
Phasing in over a period of 2 years - IAS 19: Year four	3,082,018		
Balances at beginning of year	8,590,464	5,795,424	
Contribution to non-current liability	3,082,018	2,795,040	
Balance at end of year	11,672,482	8,590,464	

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

8. Non - current receivables

Vehicle loans	248,289	269,214
Stand loans	233,466	206,977
Study loans	33,190	33,190
Less: Current portion transferred to current receivables	384,266	435,770
Vehicle loans	248,289	269,214
Stand loans	102,787	133,367
Study loans	33,190	33,189
	130,679	**73,611**

9. Other debtors

Comparex - Computer Services	-	15,950
Other sundry debtors	6,858,592	7,959,211
Total	6,858,592	7,975,161

10. Inventories

Unsold erven	5,135,840	5,610,240
Diesel at refuse dump site	59,247	95,590
Consumables stores at cost (Electricity stock included)	5,502,770	4,319,945
Unsold water reserves	355,767	250,529
Diesel at Breyten workshop	81,380	15,054
	11,135,004	**10,291,358**

Water purification cost as well as cost of water purchases has been included to calculate the value of unsold water reserves.

11. Call investment deposits

Call Account investment - at the beginning of the year	3,604,065	3,604,065
Call Account investment - at the end of the year	2,621,964	3,604,065

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

12. Consumer debtors

	2009	2008
Consumer debtors	44,559,298	40,241,816

30 June 2008	Gross Balances	Provision for Doubtful Debts	Net Balances
Service debtors:			
Rates and service charges	86,070,248	62,757,978	23,312,270
Electricity	30,551,163	21,483,874	9,067,289
Water	27,234,216	15,986,367	11,247,849
Indigents & Handovers (Sundry debtors)	25,456,626	25,456,626	-
Balance at the end of the year	**169,312,253**	**125,684,845**	**43,627,408**

30 June 2009	Gross Balances	Provision for Doubtful Debts	Net Balances
Service debtors:			
Rates and service charges	83,956,876	56,142,499	27,814,377
Electricity	28,278,690	21,805,124	6,473,566
Water	28,173,942	14,565,914	13,608,028
Indigents & Handovers (Sundry debtors)	4,574,911	4,574,911	
Balance at the end of the year	**144,984,419**	**97,088,448**	**47,895,971**

Amortisation of Debtors	Net Balance	Amortisation	Final Balance
Rates and service charges	27,814,377	2,003,801	25,810,576
Electricity	6,473,566	646,866	5,826,700
Water	13,608,028	686,006	12,922,022
Balance at the end of the year	**47,895,971**	**3,336,673**	**44,559,298**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

12. Consumer debtors (continued)

Debtors age analysis

		2009	2008
Rates and service charges	Current	5,743,367	5,510,673
	30 days	2,066,687	2,020,195
	60 days	2,457,757	1,673,676
	90 days and over	73,689,065	73,396,212
		-	-
Electricity	Current	2,905,325	4,078,318
	30 days	734,259	1,399,809
	60 days	914,520	729,489
	90 days and over	23,724,585	24,343,547
		-	-
Water	Current	1,337,950	2,188,071
	30 days	728,849	980,377
	60 days	909,904	687,441
	90 days and over	25,197,239	23,378,327
		-	-
Indigent debtors (From sundry debtors)	Current	-	-
	30 days	-	-
	60 days	77,929	-
	90 days and over	1,016,435	25,456,626
		-	-
Hand overs (From sundry debtors)	Current	19,547	-
	30 days	-	-
	60 days	-	-
	90 days and over	3,461,001	3,469,492
		-	-
Total		144,984,419	169,312,253

13. Cash and cash equivalents

The municipality has the following bank accounts:

Standard Bank Operating account	031 077 110
Standard Bank Call account	7 3888753 6-001
Standard Bank Marketlink account	33 551 552 5

Cash and cash equivalents consist of:

	2009	2008
Cash on hand	21,420	10,670
Bank balances	-	2,990,995
Bank overdraft	(531,178)	-
	(509,758)	**3,001,665**
Current assets	21,420	3,001,665
Current liabilities	(531,178)	-
	(509,758)	**3,001,665**

Current Account (Primary Bank Account)
Standard Bank - Account No. 031 077 110

	2009	2008
Cashbook balance at the beginning of the year - Positive / (Overdrawn)	2,990,995	3,339,951
Cashbook balance at the end of the year - Positive/ (Overdrawn)	(531,178)	2,990,995
Petty cash balance at the beginning of the year (Included in cashbook balance)	10,670	11,270
Petty cash balance at the end of the year (Included in cashbook balance)	21,420	10,670

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

13. Cash and cash equivalents (continued)

Bank statement balance at the beginning of the year	6,923,734	7,721,438
Bank statement balance at the end of the year - Certificate balance	5,339,236	6,923,734

14. Reserves

Capital replacement reserve	5,897,400	1,780,540
Capitalization reserve	55,339,501	58,446,868
Government grant reserve	144,031,505	135,246,275
	205,268,406	**195,473,683**

15. Accumulated surplus

Accumulated surplus beginning of year	14,505,994	19,931,779
Surplus / (Deficit) for the year	(1,083,495)	4,455,384
Transfer to CRR	(7,777,845)	(4,203,794)
PPE expenditure from CRR	3,660,985	3,813,070
Government grants used to purchase PPE	(20,099,047)	(22,892,521)
Asset disposals	-	(553,089)
Offsetting of depreciation	14,257,089	13,851,728
Transfer to inventory - Unsold water	105,239	103,437
Previous year appropriation	(437,806)	-
Prior period error	164,095	-
	3,295,209	**14,505,994**

16. Annuity loans

At amortised cost		
Annuity loans	4,528,616	2,233,486
Less : Current portion transferred to current liabilities	1,306,048	715,003
	3,222,568	**1,518,483**

Refer to Appendix A for more detail on non - current liabilities.

Non-current liabilities		
At amortised cost	3,222,568	1,518,483

17. Unspent conditional grants & receipts

Conditional Grants (Appendix F)

TB Hospital capital grant	293,799	293,799
Sewer capital grant (Dept LG & H)	327,744	1,550,438
Drought Relief (DWAF)	30,789	530,789
Electricity ext. 32 - DME	412,089	873,311
MIG Capital	7,363,440	7,268,792
Cleanest town competition allocation	53,593	177,331
Provincial grant for libraries	279,941	-
	8,761,395	**10,694,460**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

18. Provisions

Reconciliation of provisions - 2009

	Balance at the beginning of the year	Contributions to provisions	Expenditure incurred	Total
Environmental rehabilitation	-	1,500,000	-	1,500,000
Leave reserve	5,606,430	2,859,249	(2,203,718)	6,261,961
	5,606,430	**4,359,249**	**(2,203,718)**	**7,761,961**

Reconciliation of provisions - 2008

	Balance at the beginning of the year	Contribution to provisions	Expenditure incurred	Total
Leave reserve	349,235	7,245,836	(1,988,641)	5,606,430

19. Creditors

	2009	2008
Trade payables	8,804,029	11,150,875
Amounts received in advance	7,638,354	5,852,563
VAT	464,484	943,346
Retentions	2,366,578	1,237,654
Other	931,590	1,083,185
Salary electronic payments in July	1,473,921	1,409,851
	21,678,956	**21,677,474**

19.1 VAT

	2009	2008
Opening balance	(943,346)	182,862
Current year input VAT	14,100,980	10,945,626
Current year output VAT	(14,565,464)	(11,888,972)
Amount paid (received) - previous years	943,346	(182,862)
Closing balance (Dt balance to note 9)(Cr balance to note 19)	**(464,484)**	**(943,346)**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

20. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2009

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Annuity loans	4,528,616	-	-	4,528,616
Consumer deposits	5,084,377	-	-	5,084,377
Creditors	21,678,957	-	-	21,678,957
Bank overdraft	531,178	-	-	531,178
	31,823,128	**-**	**-**	**31,823,128**

2008

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Total
Annuity loans	2,233,486	-	-	2,233,486
Consumer deposits	4,460,018	-	-	4,460,018
Creditors	21,677,474	-	-	21,677,474
	28,370,978	**-**	**-**	**28,370,978**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

21. Revenue

Licenses and permits	1,935,828	1,913,095
Service charges	97,092,773	84,592,827
Rental of facilities and equipment	1,259,814	1,086,596
Fines	800,693	533,132
Government grants and subsidies	78,125,304	71,198,578
Interest received	8,313,426	10,456,233
Property rates	31,564,178	28,239,542
Income for Agency services	2,121,057	2,454,994
Un-earned finance charges	3,465,930	3,520,704
	224,679,003	**203,995,701**

1. Property rates

Residential & commercial private owners	35,163,614	35,095,043
Less income forgone	(3,599,436)	(6,855,501)
	31,564,178	**28,239,542**

2. Service charges

Sale of electricity	58,516,869	53,166,997
Sale of water	15,771,751	13,970,713
Refuse removal	11,375,933	10,223,159
Sewerage and sanitation charges	12,281,808	11,491,818
Other service charges	5,949,015	2,646,437
Less amortisation to time already past	(3,465,930)	(3,520,704)
Less amortisation to future discounting (Determined amount as calculated)	(3,336,673)	(3,385,593)
	97,092,773	**84,592,827**

3. Un-earned finance charges

Amortisation to time already past	3,465,930	3,520,704

4. Government grants and subsidies

Equitable share	51,460,479	40,381,080
Sesifuba hospital subsidy (100% subsidised)	2,090,716	2,336,760
Primary health care subsidy (Partial subsidy for Clinic services from Health Dept.)	2,250,720	808,000
Capital Grants (GSDM & MIG & DWAF & DME)	19,934,952	22,892,521
MSIG	500,000	1,209,270
Finance Management Grant	735,000	982,943
Other grants	1,153,437	2,588,004
	78,125,304	**71,198,578**

* In terms of the constitution the equitable share is used to subsidise the provision of free basic services.
Water is provided to all residential consumers at a zero rate for the first 6 kiloliter valued at R12.75 p/m.
Electricity basic charge is provided at zero rate for all consumers on max. 20 ampere electricity supply. Value R78.60 p/m.
Registered indigents receive 50 units free electricity valued at R22.00 p/m
Subsidy of other services amounts to approximately R105.85 p/m.

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

21. Revenue (continued)

5. Interest income

Interest earned - external investments	1,756,391	1,955,548
Interest earned - outstanding debtors	6,557,035	8,500,685
	8,313,426	**10,456,233**

6. Other income

Administration fees	318,240	221,419
Commission on insurance premiums	62,607	60,093
Royalties Brick & Quarry	87,301	79,880
Royalties mineral lease	687,374	1,320,652
Private works	688	-
Maintenance contribution golf club	203	332
VAT audit backpayment from SARS	1,721,888	550,210
Moneys received unallocated	775,092	1,926,940
Other income	721,394	431,556
	4,374,787	**4,591,082**

22. Employee related costs

Employee related cost - Salaries and wages	57,135,198	52,724,335
Employee related cost - Contributions for UIF, pensions and medical aids	15,308,418	14,588,691
Travel and other allowances	4,148,135	3,974,257
Overtime and relieve payments	7,792,906	6,807,103
	84,384,657	**78,094,386**

(Remuneration details included to Total Employee Related Cost above)
Section 124(1)(c)

Remuneration of the Municipal Manager		
Annual Remuneration Package	668,906	601,232
Remuneration of the Chief Financial Officer		
Annual Remuneration Package	546,821	486,399
Remuneration of the Director Engineering Services		
Annual Remuneration Package	541,088	486,399
Remuneration of the Director Public Safety & Security		
Annual Remuneration Package	541,088	486,399
Remuneration of the Director Corporate Services		
Annual Remuneration Package (vacant from 11 May 2009)	219,028	486,399
Remuneration of the Director Health & Community Services		
Annual Remuneration Package	550,954	486,399

Notes to the Annual Financial Statements

Figures in Rand		2009	2008

23. Bulk purchases

Electricity	175,196,056 units	48,356,612	34,135,037
Water	153,649 Kl	1,659,556	1,010,373
		50,016,168	**35,145,410**

24. Interest paid

Loans	621,596	325,215

25. General expenses

Included in general expenses are the following:

Operating Leases

The municipality lease office automation machines from various service providers over a lease period of a maximum period of 3 years. The last lease agreements will terminate March 2011.

	Up to year 1	Up to year 2	Up to year 3
Future minimum lease payments at 30 June 2009: (New contract)	753,551	591,458	86,590

26. Cash generated from operations

	2009	2008
(Deficit) surplus before taxation	(1,083,495)	4,455,384
Adjustments for:		
Depreciation	18,473,192	15,654,322
Gain on disposal of property, plant and equipment	-	(1,064,551)
Interest paid	621,596	325,215
Contribution to doubtful debt provision	10,475,910	10,147,341
Contribution to medical aid provision - non - current	3,082,018	2,795,040
Contributions to provisions - current	2,155,531	2,596,125
Interest received	(1,756,391)	(1,955,548)
Transfer from accumulated surplus / (deficit) to inventory (water)	105,239	(103,438)
Amortisation on debtors	3,336,673	3,385,593
Changes in working capital:		
Inventories	(843,646)	534,744
Consumer debtors	(18,130,067)	(23,677,848)
(Increase) / Decrease in other debtors	1,116,568	(1,649,446)
Call investment deposits	982,101	-
Creditors	480,345	1,438,616
Unspent conditional grants & receipts	(1,933,065)	3,011,591
Increase / (Decrease) in Provisions	-	2,657,290
Increase / (Decrease) on VAT payable	(478,862)	182,862
Previous year appropriation	(437,806)	-
	16,165,841	**18,733,292**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

27. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Rebuilding of gravel road - Amsterdam Weg	3,402,552	-
• Boreholes and main water supply	2,131,420	-
• Establishment of cemetaries	167,620	-
• Renovation of hall	1,220,665	-
• Elevated water tank for Wesselton	2,585,368	-
• Electrification of houses ext 32	131,650	-
Total Commitments	9,639,275	-

28. Contingent liabilities

None

29. Remuneration of Councillors

Section 124(1)(a)

	2009	2008
Mayor	329,638	295,546
Speaker	255,981	229,587
Executive Committee	904,100	800,454
Councillors	2,486,801	2,282,660
Travelling allowances	1,552,678	1,406,262
Cell phone allowances	341,033	309,264
Pension contributions	596,205	541,848
Medical Aid contributions	65,329	60,385
	6,531,765	**5,926,006**

The Mayor, Speaker and full time councillors are provided with office space.
The mayor has use of a council's vehicle and driver for official duties.
The Mayor and Speaker has the support of their personal assistants.

30. Prior period errors

A provision for a MIG grant payment was made in the prior year against vote number 1250-17-4-01-2601. The subsequent payment for this provision was however also posted against this vote number in stead of vote 9000-00-1-23-0102. This resulted in the asset portion of the transaction being overstated by R164,094.96 in the prior year.

This error has been corrected by a journal in the current year.

The provision for leave was understated in the prior year by R4,649,711. This error has been corrected by a journal in the current year.

The correction of the errors resulted in adjustments as follows:

	2009	2008
Balance sheet		
Property, plant and equipment	(164,095)	-
Accumulated surplus	(4,649,711)	-
Accumulated Surplus	164,095	-
Provisions	4,649,711	-

31. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. The municipality receives cash in the form of grants from government and the

31. Risk management (continued)

settling of electricity and water accounts by the public. The municipality maintains liquidity by limiting capital and operational expenditure within the pre - approved budget.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Deposits attract interest at rates that vary with prime. The entity's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on a surplus (deficit).

At year end, financial instruments exposed to interest rate risk were as follows: Balances with banks and Marketlink accounts.

Credit risk

Credit risk consists mainly of cash deposits with banks, staff loans, trade receivables and other receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The company is exposed to a number of guarantees for the overdraft facilities of Group companies and for guarantees issued in favour of the creditors of A (Pty) Ltd. Refer to note for additional details.

32. Post balance sheet events

There were no events after the balance sheet date that require adjustment to or disclosure in the financial statements.

33. Additional disclosure in terms of the MFMA

Section 124(1)(b)

1. Disclosure of concerning councillors
The following councillors had arrear accounts outstanding for more than 90 days as at 30 June 2009

MJ Blose	2,750	2,046
S Marsh	21	1,398
BA Maseko	6,067	5,550
MJ Mndebele	-	2,561
MS Nkosi	2,075	1,897
PA Zulu	920	11,175
MS Vilakazi	2,694	1,489
NS Xaba	-	937
ZPG Mthimunye	363	-

Section 125(1)(b)
2. Contributions to organised local government:

Opening balance	-	-
Council subscriptions	444,863	298,224
Amount paid - current year	(444,863)	(298,224)
Balance unpaid (Included in creditors)	-	-

Section 125(1)(b)
Payments to various institutions
3. Audit fees

Opening balance	-	-
Current year audit fees	607,709	617,753
Amount paid - current year	(607,709)	(617,753)
Balance unpaid (Included in creditors)	-	-

4. VAT
VAT inputs receivables and VAT outputs receivables are shown in note 19.
All VAT returns have been submitted by the due date throughout the year.

5. PAYE and UIF

Opening balance	-	-
Current year payroll deductions	9,896,890	9,053,059
Amount paid - current year	(9,896,890)	(9,053,059)
Balance unpaid (Included in creditors)	-	-

6. Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and council contributions	14,767,711	14,142,833
Amount paid - current year	(14,767,711)	(14,142,833)
Balance unpaid (Included in creditors)	-	-

7. In kind donations or assistance
None

Notes to the Annual Financial Statements

Figures in Rand			2009		2008

34. Statistical information

ELECTRICITY

Purchase cost		$	48,356,612	$	34,135,037
Total cost (include streetlighting)		$	71,335,287	$	59,194,125
Sales income		$	58,516,869	$	53,166,997
Purchased units	expressed in kWh		175,196,056		167,985,523
Sold units	expressed in kWh		115,509,908		121,097,375
Units loss in distribution	expressed in kWh		59,686,148		46,888,158
Cost of loss in distribution		$	16,473,377	$	9,527,674
Loss in distribution			34.07 %		27.91 %
Benchmark norm for distribution losses			10.00 %		10.00 %
Nett loss in distribution			24.07 %		17.91 %
Cost per unit based on purchase cost			0.2760		0.2032
Cost per unit based on total cost			0.4072		0.3524
Income per unit			0.5066		0.4390
Nett loss in distribution over and above the benchmark losses - units			42,167,466		30,088,388
Nett cost of loss in distribution over and above the benchmark losses		$	11,638,221	$	6,113,960

WATER

Purchase cost		$	1,659,556	$	1,010,373
Total cost		$	26,198,610	$	22,113,001
Sales income		$	15,771,751	$	13,970,713
Purchased kiloliters	expressed in Kl		153,649		451,771
Own resources kiloliters	expressed in Kl		3,686,837		4,151,157
Total purified water kiloliters	expressed in Kl		3,840,486		4,602,928
Sold kiloliters plus additional provision as calculated	expressed in Kl		3,093,705		2,975,919
Kl loss in distribution	expressed in Kl		746,781		1,627,009
Cost of loss in distribution		$	5,094,540	$	7,816,151
Loss in distribution			19.44 %		35.35 %
Benchmark norm for distribution losses			10.00 %		10.00 %
Nett loss in distribution			9.44 %		25.35 %
Cost per kiloliter purified			6.822		4.804
Cost per kiloliter sold			8.4684		7.4306
Income per kiloliter			5.0980		4.6946
Nett loss in distribution over and above the benchmark losses - kiloliters			362,634		1,166,752
Nett cost of loss in distribution over and above the benchmark losses		$	2,473,889	$	5,605,077

Calculation of water utilized in water provision to communities

Kiloliters sold	expressed in Kl	3,086,015	2,973,506
Calculation of water not metered but utilized from purified water			
Unmetered communities with standpipe provision	expressed in Kl	-	-
Water provision by tankers	expressed in Kl	7,690	2,413
Unmetered new development housing projects	expressed in Kl	-	-
Total water provision		3,093,705	2,975,919

34. Statistical information (continued)

WATER STOCK IN RESERVOIRS AS AT 30 JUNE 2009			2009 MEGALITER	2008 MEGALITER
Reservoir at Ermelo - airdrome	10.00Ml x 75%		7.50	7.50
Reservoir at Wesselton	10.00Ml x 75%		7.50	7.50
Reservoir at Ermelo - south	20.00Ml x 90%		18.00	18.00
Reservoir at Davel	4.00Ml x 70%		2.80	2.80
Reservoirs at Lothair	5.00Ml x 80%		4.00	4.00
Reservoirs at Lothair	2.00Ml x 80%		1.60	1.60
Reservoirs at Lothair	1.25Ml x 100%		1.25	1.25
Reservoirs at Breyton	4.00Ml x 50%		2.00	2.00
Reservoirs at Breyton	1.00Ml x 100%		1.00	1.00
Reservoirs at Breyton	5.00Ml x 100%		5.00	5.00
Reservoirs at Breyton	1.50Ml x 100%		1.50	1.50
Total			52.15	52.15
Calculated inventory unsold water	**(Rate per Kl)**	6.8220	355,767.30	250,528.60

35. Exemptions applied

Certain current year accounting policies (in accordance with the exemptions in Gazette no. 30013 of 29 June 2007) correspond with that applied in the prior year. The changes in accounting policies will be applied prospectively and refers to the following accounting policy notes:

Note 1.2 - Property, Plant and Equipment (Additional year special exemption granted by National Treasury)
The estimated useful lives of Property, Plant and Equipment and depreciation methods have not been reviewed and the impairment of assets was not assessed in the current financial year.

Note 1.3 - Financial instruments : cash and bank balance, investments, trade receivables and borrowings
Financial instruments were initially measured at cost in the current financial year.

Note 1.4 - Leases
Operating lease rentals have not been recognised on the straight-line basis over the term of the relevant lease agreements.

36. Supply chain management

In terms of section 36 of the supply chain management policy various deviations has been approved and submitted to Council on monthly report in terms of subsection 36(2) of the policy and approved accordingly. Details are on file.